



15 March 2020, Issue 1

UPDATE

on COVID-19

**The Belt and Road Initiative Tax
Administration Cooperation Mechanism**

EDITOR'S NOTE:

At this critical moment in the world's fight against the COVID-19, the Special Edition of the BRITACOM Update on COVID-19 is issued, aiming to provide a platform for BRITACOM Council Members and Observers to exchange views and share experience in responding to the outbreak. Issue 1 is about measures rolled out by the State Taxation Administration of China to help taxpayers in light of the rapid evolution of COVID-19. Later we will share more experience of tax administrations from other countries and regions with you. If you would like to make contributions to the Special Edition, please contact us via email britacom@163.com.

The State Taxation Administration of China Takes Effective Measures to Support the Containing of COVID-19 and Economic and Social Development

Since the outbreak of COVID-19, the State Taxation Administration of China (STA) has solidly implemented the decisions made by President Xi Jinping and the Chinese government, and has adopted a series of vigorous measures to contain the epidemic and boost economic and social development. In particular, the STA has been committed to thorough implementation of tax incentives, "non-contact" taxpayer services, big data analysis to support the resumption of work and production, and all-round enhancement of epidemic control within office buildings.

I. Rolling out Three Batches of Targeted Tax and Fee Incentives

In order to support the epidemic control and facilitate the resumption of work and production, the Chinese government has successively rolled out three batches of tax and fee incentives, each of which has a specific target and a distinct priority.

● Providing immediate support to the containing of virus on the frontline

Such policies encompass 12 items in total, which can fall under 3 categories:

a. Direct supports on medical treatment. Subsidies and bonuses received by medical workers and related staff who participate in the epidemic control and treatment are exempt from individual income tax.

b. Alleviating burden for the production and transportation of needed supplies for epidemic control. The measures include fully refunding newly increased excess input VAT for producers of important anti-epidemic materials, one-off deduction in the calculation of enterprise income tax for equipment that is purchased to enlarge production capacity, and VAT exemption for incomes derived from the transportation of needed supplies for epidemic control.

c. Facilitating mobilization of social support for epidemic control. Policies have been introduced to allow a full deduction of donations for epidemic control in the calculation of enterprise income tax and individual income tax and exempt voluntarily donated goods for epidemic control from

VAT, excise tax, urban maintenance and construction tax, education fee surcharge and local educational surcharge.

- **Relieving enterprises' burden of social security contributions, reducing their labor cost and boosting their confidence in resuming work and production**

- a. **Temporary reduction and exemption of the contributions made by enterprises for their employees' endowment insurance, unemployment insurance and employment injury insurance.**

Micro, small and medium-sized enterprises nationwide as well as all types of enterprises in Hubei province are exempt from these fees for 5 months at most, and large enterprises in other places of China are eligible for 50% reduction for no more than 3 months.

- b. **Reduction in basic medical insurance contributions.** The contributions made by the employers for their employees' basic medical insurance can be halved for 5 months at most under the guidance of each province.

- **Supporting micro and small enterprises and self-employed traders, aiming to strengthen their resilience to risks and stabilize employment**

- a. From March 1st through the end of May, small-scale taxpayers in Hubei province are exempt from VAT and the VAT rate outside of Hubei province is cut from 3% to 1%.

- b. Preferential policies for micro, small and medium-sized enterprises regarding the reduction and exemption of contributions on endowment insurance, unemployment insurance and employment injury insurance can be applied to self-employed traders as well.

- c. Local governments are encouraged to support property owners' reduction or exemption of rent for self-employed traders via urban and township land use tax relief.

II. Implementing Tax and Fee Incentives in a Timely Manner

In order to make sure that tax and fee payers enjoy the preferential policies in a timely manner, the STA has taken four measures to ensure thorough implementation of tax and fee incentives.

- **Timely publicity and guidance for taxpayers.** Besides providing trainings for tax officials, Chinese tax authorities have notified tax and fee payers of relevant policies via official websites, hotlines, Wechat and text messages, and responded to their questions through online interviews and video demonstrations. By far, 166 frequently asked questions and answers pertinent to hot policies have been published in seven sessions.

- **Timely formulation of operational guidelines.** The STA has formulated operational guidelines in time together with each policy issued. At present, operational guidelines have been made in relation to four categories of preferential policies to support epidemic control and medical treatment, resource materials supply, public welfare donations and resumption of work and production.
- **Timely reprogramming of IT systems.** While actively cooperating with relevant departments in formulating policies, the STA has made adequate preparations for IT system reprogramming to ensure smooth operation after the introduction of new policies.
- **Timely supervision and evaluation.** In order to thoroughly and effectively implement preferential policies, the STA has incorporated policy implementation into performance evaluation system to consolidate responsibilities of tax authorities at all levels. In addition, supervision has been strengthened and working disciplines have been further emphasized.

III. Promoting "Non-contact" Taxpayer Services

Since the outbreak of COVID-19, Chinese tax authorities have proactively carried out deferral of filing, online processing, multi-channel Q&A's and on-site service subject to prior appointment to minimize crowding and ensure safety and convenience for taxpayers.

- **Extend the deadline for tax filing.** The deadline for tax filing in February,2020 has been extended to the last working day of that month outside of Hubei province and to the end of March 2020 in Hubei province, and the deadline for tax filing in March 2020 has been extended nationwide by one week.
- **Publish detailed guidance for on-line service.** The STA has published a detailed list of 185 matters that can be processed online to encourage and guide tax and fee payers to deal with these matters through self-service and encouraged local tax authorities to further expand the scope.
- **Provide personalized service via hotline and Wechat.** Tax officials have answered personalized questions and satisfied the needs of tax and fee payers via platforms such as 12366 Taxpayer Service Hotline and Wechat.
- **Encourage making appointment before going to service hall.** For the matters that do require presence in person, besides disinfecting taxpayer service hall,tax officials make appointment

with tax and fee payers through "peak times avoiding" arrangements so that the payers can avoid unnecessary physical contact with one another and enjoy safe and convenient services.

In late February, the STA has launched the 2020 Spring Breeze Project nationwide by putting forth 24 measures to improve taxpayer service. Among these, a series of measures to facilitate export tax refund amid the epidemic control has provided export enterprises with more convenience for tax filing and accelerate the refunding process. For instance, "non-contact" filing and feedback can further serve export enterprises' applications; "non-contact" examination, investigation and assessment as well as permitting the temporary absence of on-site verification subject to ex post facto measures can further speed up review process; paperless filing for tax refund together with other convenience approaches have raised the average speed of tax refund by 20% compared to that of 2019. These effective measures will significantly lighten the burden of enterprises and relieve their financial pressure, contributing to the epidemic control and stabilization of foreign trade.

Chinese tax authorities have adopted the most stringent measures in the epidemic control and made an all-out effort to protect the health of their staff. Moreover, in order to respond to President Xi Jinping's call, tax-related big data (particularly the data on VAT invoices) have been leveraged to support the resumption of work and production and assist governments at all levels in making well-informed decisions. With the gradual implementation of tax and fee incentives, the measures taken by the STA will play a bigger role in containing the epidemic, helping resume work and production for micro, small and medium-sized enterprises, and boosting economic and social development.



BRITACOM Update

Editor: Secretariat of the BRITACOM

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